



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

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AGENTS WARNED NOT TO VIOLATE ORDER IN YUCATAN TIMESHARE CASE New Information Suggests Offers & Sales May Be Continuing

PHOENIX – Last month, the Arizona Corporation Commission charged a company that operates an international timeshare program, its founder, and two affiliated entities with engaging in the sale of unregistered securities to over 350 Arizonans. New investigative information indicates that sales agents may still be pitching investment opportunities in this program. Such conduct would constitute a direct violation of the Commission's temporary cease and desist order.

Individuals who continue to offer or sell the Yucatan investments could face stiff sanctions for violating a Commission order – up to and including revocation of their securities registration, possible revocation of their insurance license by the Arizona Department of Insurance, as well as fines and penalties.

The Yucatan investment opportunity is based upon its "Universal Lease Program," an arrangement that purportedly offers investors the opportunity to purchase timeshare units for a minimum investment of \$5,000. Individual investments in this program have been as large as \$400,000.

Based on investigative information, the Yucatan investment program appears to be nationwide in scope. Regulators in at least six other states have taken formal action against one or more the following:

- Michael E. Kelly of South Bend, Indiana
- Yucatan Resorts, Inc., Cancun, Mexico and South Bend, Indiana
- Resort Holdings International, Inc., Cancun, Mexico and South Bend, Indiana
- World Phantasy Tours, Inc., Panama

Kelly, Yucatan Resort Holdings and World Phantasy have retained local law firms that have filed requests for hearings at the Commission. A hearing date has not been set, but such a hearing would give the respondents an opportunity to respond to the Commission's allegations.

The Commission urges investors to verify the registration status of anyone offering an investment opportunity prior to risking money. The Commission's Securities Division can help verify registration or exemption status by calling 602-542-4242 or 1-877-811-3878.

Details of the Allegations Against Yucatan, Kelly et al.

Kelly is the founder and president of Yucatan, the company charged with developing a timeshare program whereby investors purchased timeshare units in various resorts throughout Mexico and Central America. Yucatan's affiliate, Resort Holdings International, is charged with distributing the Yucatan program and with providing promotional and sales recruitment assistance. Investigators believe World Phantasy Tours, based in Panama, acted as the resort management and servicing agent for the program.

Yucatan promotional materials guaranteed investors a nine percent return over 25 years, but only if investors utilized World Phantasy Tours to manage and service the timeshare units. Yucatan's promotional literature touted the timeshare program as being fully secured and debt-free, but the Commission alleges that the Yucatan program failed to provide investors with any financial information to support these claims. Similarly, the program failed to disclose where, and for what purpose, the investors' money would be used.

The Commission also charges that Yucatan failed to properly inform investors of:

- The inherent risks associated with investing in the Universal Leasing Program, and
- The company's previous sanctions for securities violations in other U.S. jurisdictions.

The immediate effect of this order is that Yucatan and its affiliated entities can no longer offer or sell the Universal Lease Program within or from Arizona. This prohibition equally extends to Yucatan sales agents, many of whom serve as insurance agents or other financial professionals.

In some instances, the sale of timeshares would not be considered a securities transaction subject to regulatory

oversight by the Commission. According to investigators, however, the manner in which these timeshare units were promoted, and the design of this leasing program, turned the sale of Yucatan investments into securities transactions.

Prior to investing in timeshares, people should verify registration of sellers and investment opportunities by contacting the Department of Real Estate at 602-468-1414 and the Commission's Securities Division at 602-542-4242, toll free outside the Phoenix Metropolitan Area at 1-877-811-3878. Consumers with questions about an insurance salesperson can contact the Arizona Department of Insurance at 602-912-8444 or 800-325-2548.

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The temporary cease and desist order can be viewed at: <http://www.ccsd.cc.state.az.us/enforcement/enforce-actions.asp>

Reporters & Editors: Please consider including this in an info box accompanying any story you run on this case.

Offering or selling Yucatan investments in or from Arizona is prohibited under the temporary cease and desist order. If the program has been pitched to you at any time, but particularly after May 20, 2003, you are urged to contact the Arizona Corporation Commission at 602-542-4242 or 1-877-811-3878.